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C O N F I D E N T I A L SECTION 1 OF 4 USNATO 6485

E.O. 11652: GDS

TAGS: PFOR, NATO, XH

SUBJECT: NATO EXPERTS GROUP REPORT ON TRENDS IN THE SOVIET UNION
AND EASTERN EUROPE

FOLLOWING IS TEXT OF REPORT OF THE SOVIET UNION AND EASTERN
EUROPE PREPARED BY NATO EXPERTS GROUP WHICH MET HERE ON 10-13.
REPORT HAS NOT YET BEEN SCHEDULED FOR NAC CONSIDERATION

BEGIN TEXT:

PART I: POLITICAL SITUATION IN THE SOVIET UNION

1. BREZHNEV REMAINS PRE-EMINENT IN THE SOVIET LEADERSHIP
DESPITE HIS LOSS OF PHYSICAL STAMINA. YET CONTINUING
UNCERTAINTIES ABOUT HIS FUTURE AND THE PREVAILING INDECISION
ABOUT MAJOR ISSUES FACING THE REGIME SUGGEST THAT MANOEUVRING
IS UNDER WAY ON THE SUCCESSION QUESTION AND THAT POLICY
DIRECTION ARE BEING DEBATED.

2. DETAILS OF THE NEW FIVE - YEAR PLAN AND THAT THE FOR 1976
HAVE NOT YET BEEN RELEASED: NOR HAS AN AGENDA FOR THE 25TH
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CPSU CONGRESS DUE IN FEBRUARY BEEN ANNOUNCED, NOR EVEN THE
CENTRAL COMMITTEE'S RAPPORTEUR TO THE CONGRESS DESIGNATED.
SUCH DECISIONS, AND KEY PERSONNEL APPOINTMENTS AS WELL, WOULD
NORMALLY HAVE BEEN MADE LONG SINCE TO ALLOW FOR FINAL CONGRESS

PREPARATIONS. FURTHERMORE, THIS YEAR'S HARVEST DEBACLE CAN ONLY HAVE EXACERBATE THE PERENNIAL ARGUMENTS OVER RESOURCE ALLOCATION AND INVESTMENT PRIORITY.

3. KIRILENKO REMAINS THE MOST LIKELY INHERITOR OF BREZHNEV'S PARTY ROLE, BUT HE STILL DOES NOT SEEM ASSURED OF A PROPRIETARY CLAIM TO THE SUCCESSION. SUCH LEADERS AS POLYANSKY AND, IN SPITE OF THEIR AGE, KOSYGIN, SUSLOV AND GROMYKO, HAVE BEEN MORE ASSERTIVE IN PUBLIC RECENTLY, AND THE THEME OF LEADERSHIP COLLECTIVELY IS INCREASINGLY BEING EMPHAISED.

4. DEBATES HAVE BEEN NOTED ON VARIOUS ECONOMIC ISSUES, ON NATIONALITY PROBLEMS AND ON THE MATTER OF COMMUNIST TACTICES ABOARD. ON THE LATTER SCORE, DEBATE SEEMS PARTICULARLY INTENSE ON THE QUESTION OF HOW FAR MOSCOW'S STAKE IN DETENTE AND INTERNATIONAL STABILITY SHOULD INFLUENCE ITS IDEOLOGICAL COMMITMENT TO WORLD REVOLUTION. BREZHNEV'S RECENT GESTURE TOWARDS ADVOCATES OF A MORE ORTHODOX LINE SUGGESTS THAT WITHIN

THE REGIME RESERVATIONS ABOUT THE USEFULNESS OF DETENTE FOR SOVIET INTERESTS MAY HAVE GROWN.

5. THE SOVIETS HAVE PUBLISHED THE FULL TEXT OF THE CSCE FINAL ACT. ALTHOUGH THEY HAVE BEGUN TO IMPLEMENT SELECTIVELY SOME PROVISIONS OF BASKET III, THEY HAVE MADE IT CLEAR THAT THE ACCEPTANCE OF BASKET III IS SUBJECT TO THE PRINCIPLE OF NON-INTERFERENCE IN INTERNAL AFFAIRS AND DOES NOT IMPLY ANY LESSENING OF THE IDEOLOGICAL STRUGGLE. THEY CONTINUE TO ATTACH A PRIMARY IMPORTANCE TO THE DECLARATION OF PRINCIPLES AND TO THE ECONOMIC ASPECTS OF THE CSCE DOCUMENT.

6. THE KIND OF CULTURAL AND EDUCATIONAL EXCHANGES ENVISAGED IN BASKET III SHOULD POSE RELATIVELY FEW PROBLEMS FOR THE REGIME WHICH HAD ALREADY, FOR ITS OWN DOMESTIC REASONS, BECOME MORE FLEXIBLE IN HANDLING SUCH MATTERS. IT SEEMS LITTLE INCLINED, HOWEVER, TO ALTER ITS GENERALLY NEGATIVE APPROACH
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TOWARDS HUMANITARIAN ISSUES AND THE FREE FLOW OF INFORMATION.

7. THE DECLINE IN JEWISH EMIGRATION CONTINUES. AT THE SAME TIME THERE HAS BEEN A SMALL BUT STEADY INCREASE IN THE NUMBER OF ETHNIC GERMANS PERMITTED TO LEAVE THE USSR.

8. DISSIDENCE PERSISTS DESPITE INTENSIFIED HARASSMENT. THE REGIME FAILED TO GET SIGNIFICANT SUPPORT FROM THE USSR ACADEMY OF SCIENCES IN DENOUNCING THE NOBEL PEACE PRIZE AWARD TO PROMINENT DISSIDENT SAKHAROV.

PART II: SOVIET ECONOMIC SITUATION

9. AS THE 9TH FIVE-YEAR PLAN PERIOD DRAWS TO A CLOSE, IT IS CLEAR THAT MOST OF ITS KEY TARGETS WILL NOT BE REACHED. THE GREATEST SHORTFALLS WILL BE IN AGRUCULTURAL AND CONSUMER GOODS PRODUCTION, WHILE HEAVY INDUSTRY HAS FARED RELATIVELY BETTER. DESPITE THE LACK OF SUCCESS IN PLAN FULFILMENT, OVERAL GROWTH RATES REMAIN GOOD COMPARED WITH CURRENT WESTERN PERFORMANCE.

10. THE 1975 PLAN FOR INDUSTRIAL PRODUCTION WAS QUITE MODEST AND MAY BE SLIGHTLY OVERVULFILLED. OVERALL ECONOMIC PERFORMANCE, HOWEVER, WILL BE AFFECTED BY THEPOOREST GRAIN HARVEST SINCE 1967. MOSTLY BECAUSE OF EXTENSIVE DROUGHT, THE RESULT IS THOUGHT TO BE LESS THAN 160 MILLION TONS, WHICH IS OVER 50 MILLION TONS SHORT OF THEPLAN AND 35 MILLION TONS LESS THAN THE 1974 HARVEST.

11. THE SHORTGALL IN GRAIN IS BEING MADE UP TO A LARGE EXTENT BY MASSIVE IMPORTS FROM THE WEST, WHICH MAY TOTAL ALMOST 30 MILLION TONS IN 1975/76. FURTHERMORE, THE USSR IS EXPECTED TO REDUCE BY PERHAPS 5 MILLION TONS ITS USUAL EXPORTS TO EAST EUROPEAN AND OTHER COUNTRIES. IT IS THUS POSSIBLE THAT WIDESPREAD SLAUGHTERING OF CATTLE CAN BE AVOIDED, BUT THE NUMBERS OF THE SMALLER KINDS OF LIESTOCK ARE LIKELY TO BE REDUCED. THIS WILL KEEP FOOD SUPPLIES HIGH FOR THE NEXT FEW MONTHS, BUT SOME AUSTERITY MEASURES MAY BE INTRODUCED AFTER THE PARTY CONGRESS.

12. THE ACUTE NEED FOR GRAIN IMPORTS THIS YEAR MADE THE SOVIETS ACCEPT A DEAL WITH A WESTERN COUNTRY INVOLVING FOR THE CONFIDENTIAL

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FIRST TIME LONGER TERM IMPORT COMMITMENTS. THE SOVIET UNION WILL PURCHASE 6 TO 8 MILLION TONS ANNUALLY OF US GRAIN BETWEEN 1976 AND 1981.

13. GRAIN IMPORTS WILL EXACERBATE THIS YEAR'S ALREADY DIFFICULT BALANCE OF PAYMENTS PROBLEM, ALTHOUGH MOST OF THE GRAIN IS TO BE DELIVERED IN 1976. THE USSR WILL RUN A HARD CURRENCY TRADE DEFICIT THIS YEAR OF WELL OVER \$3 BILLION. CONTRIBUTING TO THIS ARE ALSO A DETERIORATION IN SOVIET TERMS OF TRADE, REDUCED EXPORTS BECAUSE OF RECESSION IN THE WEST, AND A HIGH LEVEL OF IMPORTS RESULTING FROM CONTRACTS SIGNED IN 1972-74. TO COVER THE DEFICIT THE USSR MUST CONTINUE ITS HEAVY BORROWING IN THE WEST, AND IS LIKELY TO DRAW ON THE MEDIUM-TERM EUROCURRENCY MARKET TO AN INCREASING EXTENT. IT WILL ALSO SELL GOLD WHENEVER NECESSARY.

14. ALL THIS WILL DAMPEN PROSPECTS FOR THE NEW FIVE-YEAR PLAN, WHICH WILL PROBABLY LAY MAIN EMPHASIS ON TECHNOLOGICAL DEVELOPMENT, AGRICULTURE, AND THE INCREASING EXPLOITATION OF SIBERIAN RESOURCES.

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PART III: INTER-PARTY RELATIONS AND CO-OPERATION

15. MOSCOW CONTINUES TO BE DEENLY INTERESTED IN BRINGING ABOUT A CONFERENCE OF EUROPEAN COMMUNIST PARTIES, PREFERABLY BEFORE THE 25TH CPSU CONGRESS. THE DIFFERENCES BETWEEN THE COMMUNIST PARTIES SUPPORTING THE SOVIET UNION AND THEMORE INDEPENDENTLY-INCLINED PARTIES LIKE THE ITALIAN,RUMANIAN, SPANISH AND YUGOSLAV SEEM TO PERSIST, THE LATTER GROUP STRIVING FOR A DOCUMENT THAT WILL NOT LIMIT THEIR FREEDOM OF ACTION NOR CONDEMN ANY OTHER COMMUNIST PARTY.

16. BESIDES, DIFFERING ATTITUDES TOWARDS DEVELOPMENTS IN PORTUGAL AND RECENT HARD-LINE PRONOUNCEMENTS BY SOVIET IDEOLOGISTS ON REVOLUTIONARY TACTICS HAVE ADDED TO THE PROBLEMS OF REACHING AN AGREEMENT.

17. REPORTS ON A WORKING GROUP MEETING IN OCTOBER DO HOWEVER INDICATE THAT PROGRESS HAS BEEN ACHIEVED TOWARDS HOLDING THE CONFERENCE. IN CASE OF FURTHER DIFFICULTIES THERE APPERS TO BE SUPPORT FOR A SYSTEM OF SELECTIVE SIGNINNG OF DOCUMENTS, FOLLOWING THE EXAMPLE OF THE 1969 WORLD CONVERENCE IN MOSCOW.

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18. ALTHOUGH THERE ARE NO INDICATIONS THAT A WORLKD CONFERENCE OF COMMUNIST PARTIES WILL BE CARRIED IN THE NEAR FUTURE, IT WOULD NEVERTHELESS STILL APPEAR TO BE A DISTANT AIM OF SOVIET POLICY.

19. THE SOVIET UNION CONTINUES TO PRESS FOR CLOSER CO-OPERATION WITHIN THE CMEA, AIDED IN ITS EFFORTS BY THE ENERGY CRISIS AND THE ECONOMIC DIFFICULTIES IN THE WEST. HOWEVER, ANY FUTURE ATTEMPTS TO PROMOTE FURTHER INTEGRATION WITHIN THE CMEA WILL CONTINUE TO MEET WITH OPEN RESISTANCE FROM RUMANIA.

PART IV: EAST-WEST RELATIONS

20. THE CONCLUSION OF THE CSCE HAS BEEN CHARACTERISED IN THE SOVIET UNION AS A HISTORIC EVENT. HOWEVER, THE RUSSIANS HAVE VERY QUICKLY SHOWN THE LIMITS THEY INTEND TO PLACE ON THE IMPLEMENTATION OF THE FINAL ACT.

21. ON SEVERAL OCCASIONS, FOR INSTANCE, THEY HAVE EMPHASISED THAT THE PROVISIONS DESIGNED TO CONSOLIDATE THE STATUS QUO IN EUROPE ARE OF A BINDING NATURE UNLIKE THOSE OF BASKET III, IT BEING STRESSED THAT THE LATTER SHOULD BE IMPLEMENTED IN STRICT ACCORDANCE WITH THE PRINCIPLE OF NON-INTERFERENCE IN INTERNAL AFFAIRS. IT HAS FURTHERMORE BEEN IMPLIED THAT THE DECLARATION OF PRINCIPLES ONLY APPLIES TO RELATIONS BETWEEN COUNTRIES WITH DIFFERENT SOCIAL SYSTEMS.

22. SO FAR, NO NOTIFICATION OF MILITARY MANOEUVRES HAS YET BEEN RECEIVED FROM THE WARSAW PACT COUNTRIES. ALTHOUGH CMBS WERE SPECIFICALLY ENDORSED AT HELSINKI BY MR. BREZHNEV, THE SOVIET UNION SEEMS TO BE FOLLOWING A STRICTLY LEGALISTIC APPROACH TO THE MATTER.

23. WHILE AFFIRMING THAT POLITICAL DETENTE IS AN IRREVERSIBLE TREND, MOSCOW HAS ALSO STRESSED THE NEED TO MATCH IT IN THE MILITARY FIELD. THIS EXPLAINS THE RECENT AND REPEATED CALLS BY THE SOVIETS FOR A RESUMPTION OF THE NEGOTIATIONS ON THE REDUCTION OF FORCES AND FOR "GENERAL AND COMPLETE" DISARMAMENT.

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24. MOSCOW'S PROPOSALS AT THE PRESENT UNITED NATIONS GENERAL ASSEMBLY WOULD SEEM TO HAVE BEEN TABLED MAINLY FOR PROPAGANDA PURPOSES. THERE ARE NO SIGNS OF A MORE FLEXIBLE ATTITUDE BY THE SOVIETS IN VIENNA, WHERE THEY ARE BANKING ON THE SUBMISSION BY THE WEST OF NEW PROPOSALS FOR FORCE REDUCTIONS.

25 THE DEVELOPMENT OF RELATIONS WITH THE UNITED STATES REMAINS FOR THE SOVIET UNION THE BACKBONE OF ITS POLICY OF DETENTE. IN SPITE OF GOOD DAY-TO-DAY RELATIONS BETWEEN THE TWO COUNTRIES AS SHOWN BY INCREASED COMMERCIAL EXCHANGES AND VISITS ON ALL LEVELS, NO AGREEMENT HAS YET BEEN REACHED IN THE SALT II NEGOTIATIONS AND MR BREZHNEV'S VISIT TO THE UNITED STATES REMAINS IN DOUBT. RELATIONS BETWEEN THE TWO COUNTRIES HAVE BEEN COMPLICATED IN RECENT MONTHS BY THE INTERNATIONAL SITUATION

(PORTUGAL,MIDDLE EAST, ETC.) AND BY CERTAIN RESERVATIONS TOWARDS THE POLICY OF DETENTE ON THE PART OF THE UNITED STATES PUBLIC AND CONGRESS. BE THIS AS IT MAY, BOTH PARTIES ARE EQUALLY AWARE OF THE NEED TO AVOID EMBARKING ON A NEW ROUND IN THE ARMS RACE.

PART V: SOVIET POLICY IN AFRICA, THE MIDDLE EAST AND ASIA

26. SOVIET POLICIES TOWARDS AFRICA CONTINUE TO REFLECT STRATEGIC RATHER THAN SHORT-TERM INTERESTS. CURRENT OBJECTIVES ARE TO CONCENTRATE POLITICAL, MILITARY AND ECONOMIC SUPPORT ON A SMALL NUMBER OF COUNTRIES BORDERING THE INDIAN AND ATLANTIC OCEANS AND THE MEDITERRANEAN, TO COUNTER THE CHINESE PRESENCE WHEREEVER POSSIBLE, AND TO COMPETE FOR INFLUENCE IN THE FORMER PORTUGUESE COLONIES. AT THE SAME TIME, THE SOVIETS REMAIN UNWILLING TO ASSUME ANY GENERAL RESPONSIBILITY FOR PROVIDING ASSISTANCE TO THE LEAST-DEVELOPED AFRICAN COUNTRIES.

27. THE SOVIETS HAVE CONSOLIDATED THEIR POSITION IN SOMALIA. THEY HAVE NOW ALSO DIRECTED THEIR ATTENTION TOWARDS LIBYA AND TUNISIA, BUT AT PRESENT, THEIR MAIN PREOCCUPATION MUST BE WITH THE SITUATION IN ANGOLA. HAVING SUPPORTED THE MPLA THROUGHOUT THE LAST DECADE, THEY HAVE NOW STEPPED UP THEIR ASSISTANCE IN THE FACE OF GROWING DOUBTS ABOUT THE MPLA'S ABILITY TO DEFEAT ITS RIVALS MILITARILY AND TO IMPOSE ITS CLAIM TO BE THE ONLY LEGITIMATE GOVERNMENT OF ANGOLA. BY THEIR PREMATURE RECOGNITION OF THE MPLA'S CLAIM AND THEIR ATTEMPTS TO DRUM UP

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SUPPORT FOR IT AMONG THE OAU MEMBERS, THE SOVIETS APPEAR TO HAVE MISJUDGED THE RESENTMENT WHICH THEIR INTERFERENCE WAS LIKELY TO CAUSE.

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28. THE SOVIETS REMAIN COMMITTED TO A COMPREHENSIVE STELLEMENT IN THE MIDDLE EAST. THEIR CRITICISM OF THE SEDCON SINAI DISENGAGEMENT AGREEMENT HAS RELATED MORE TO THE ROLE OF AMERICAN TECHNICIANS IN ITS IMPLEMENTATION THAN TO THEIR PROFESSED DISAPPROVAL OF THE STEP-BY-STEP APPROACH. ALTHOUGH THE SOVIET UNION MAY NOT SEEK ACTIVELY TO OPPOSE FURTHER INTERIM AGREEMENT OF THIS KIND, IT WILL TRY TO ENSURE THAT SUCH AGREEMENTS ARE FORMALLY LINKED TO THE GENEVA CONFERENCE, OR OTHERWISE INVOLVE SOVIET PARTICIPATION IN THE NEGOTIATING PROCESS.

29. ALTHOUGH SOVIET-EGYPTIAN RELATIONS HAVE NOW REACHED A VERYLOW EBB, BOTH SIDES HAVE STOPPED SHORT OF FORCING A MAJOR CONFRONTATION AND WILL WISH TO KEEP THE DOOR OPEN FOR IMPROVED RELATIONS.

30. INCREASED CONTACTS AT VARIOUS LEVELS HAVE TAKEN PLACE BETWEEN THE SOVIETS AND THE ISRAELIS. BUT THE RESUMPTION OF DIPLOMATIC RELATIONS APPEARS UNLIKELY IN THE NEAR FUTURE, GIVEN THEIR RESPECTIVE POSITIONS ON THE ARAB-ISRAELI DISPUTE. THE QUESTION OF JEWISH EMIGRATION FROM THE SOVIET UNION WOULD BE A SECONDARY COMPLICATING FACTOR. MEANWHILE, THE SOVIETS MAY BE ANXIOUS TO PURSUE A MORE REGULAR UNOFFICIAL DIALOGUE WITH THE CONFIDENTIAL

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ISRAELIS IN ORDER TO OBTAIN INCREASED LEVERAGE OVER THE MIDDLE EASTERN SITUATION AS A WHOLE. AT THE SAME TIME THEY ARE CONCERNED TO CONSOLIDATE THEIR INFLUENCE AMONG THE OTHER CONFRONTATION STATES AND THE PLO. THEY MAY ALSO WISH THROUGH SYRIA, TO BE IN A POSITION TO TURN THE EVENTS IN LEBANON TO THEIR ADVANTAGE.

31. IN ASIA,SOVIET POLICIES CONTINUE TO BE CONSTRAINED BY THE CONFRONTATION WITH CHINA. THE BILATERAL SINO-SOVIET RELATIONSHIP REMAINS STATIC AT THE STATE LEVEL, BUT OPEN POLEMICS HAVE INCREASED. IN THIRD COUNTRIES, THE RIVALRY IS AS INTENSE AS EVER; AMERICAN WITHDRAWAL FROM INDO-CHINA HAS PROVIDED WIDER SCOPE FOR COMPETITION IN THE AREA, ALTHOUGH SO FAR THE SOVIET UNION HAS MADE FEW TANGIBLE GAINS.

32. SOVIET-JAPANESE RELATIONS SEEM UNLIKELY TO IMPROVE SIGNIFICANTLY UNTIL THE NORTHERN ISLANDS DISPUTE HAS BEEN RESOLVED AND A PEACE TREATY CONCLUDED. A FURTHER COMPLICATING FACTOR HAS BEEN THE IMPROVEMENT IN SINO-JANPANESE RELATIONS AND THE ISSUE OF THE "ANTI-HEGEMONY" CLAUSE WHICH CHINA WISHES TO INCLUDE IN A TREATY OF FREINDSHIP WITH THE JANPANESE.

33. AFTER THE CONCLUSION OF THE CSCE AT HELSINKI, THE SOVIETS HAVE REPEATEDLY DRAWN ATTENTION TO THE APPLICABILITY

OF THE CSCE PRINCIPLES TO ASIA IN THE CONTEXT OF SOVIET PROPOSALS FOR AN ASIAN COLLECTIVE SECURITY SYSTEM. BUT SO FAR THIS PROPAGANDA EFFORT HAS MET WITH NO RESPONSE AMONG THE ASIAN COUNTRIES AND EVEN WITH OPPOSITION FROM SOME SUCH AS INDIA WHOM THE SOVIETS MIGHT HAVE BEEN RELYING ON FOR SUPPORT. OPPOSITION APPERS TO BE GROUNDED ON RELUCTANCE TO GET INVOLVED IN THE SINO-SOVIET DISPUTE AND DOUBTS ABOUT THE SOVIET UNION'S BONA FIDES AS AN ASIAN POWER.

34. THERE APPEARS TO BE A GROWING GULF BETWEEN THE PREOCCUPATIONS OF THE SOVIET UNION AND THOSE OF THE THIRD WORLD IN GENERAL. THE NON-ALIGNED MOVEMENT IS DRIFTING AWAY FROM THEM, AS IT TURNS INCREASINGLY FROM POLITICAL TO ECONOMIC PROBLEMS. THE SOVIET LINE ON THE WHOLE RANGE OF ISSUES RELATING TO THE NEW INTERNATIONAL ECONOMIC ORDER SEEMS TO HAVE LITTLE APPEAL FOR THE DEVELOPING NATIONS.

PART VI: THE SITUATION IN EASTERN EUROPE
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35. IN THE GERMAN DEMOCRATIC REPUBLIC, THE 9TH PARTY CONGRESS WILL PROBABLY ADOPT A NEW PARTY PROGRAMME WHICH IS UNLIELY TO CONTAIN ANY MAJOR SURPRISES. LIKELY PERSONNEL CHANGES WILL NOT ENDANGER MR. HONECKER'S LEADING POSITION WHICH HAS BEEN CONSOLIDATED IN THE LAST FEW YEARS. THE "STRENGTHENING OF THE SOCIALIST COMMUNITY" CONTINUES TO BE THE PRIMARY OBJECTIVE OF THE INTERNAL POLITICAL AND IDEOLOGICAL EFFORTS OF THE GDR LEADERSHIP.

36. THE FREINDSHIP TREATY BETWEEN THE GDR AND THE USSR OF 7TH OCTOBER, 1975 REFLECTS THE VIEWS OF BOTH CONTRACTING PARTIES. THE BASIC MOTIVES ARE THE CONSOLIDATION OF THE GDR AS AN INDEPENDENT SOCIALIST SECOND GERMAN STATE, SECURING ITS BORDER WITH THE FEDERAL REPUBLIC OF GERMANY, AND THE STRENGTHENING OF ITS TIES WITH THE SOVIET UNION. OTHER STRIKING FEATURES ARE THE EXTENSION OF THE ASSISTANCE CLAUSE OTO ATTACKS "BY ANY STATE" AND THE STRONG REAFFIRMATION OF THE BREZHNEV DOCTRINE.

37. THE TREATY ALSO PURPORTS TO EQUATE THE CONTRACTING PARTIES' RELATIONS WITH BERLIN (WEST) WOTH THOSE BETWEEN THE FEDERAL REPUBLIC OF GERMANY AND BERLIN (WEST). IT CITES IN PARTIAL AND DISTORTED FORM THE PASSAGE ON THE LATTER CONTAINED IN THE QUADRIPARTITE AGREEMENT, IGNORING THE REFERENCE TO THE MAINTENANCE AND DEVELOPMENT OF TIES BETWEEN BERLIN(WEST) AND THE FEDERAL REPUBLIC OF GERMANY. THIS MEANS THAT THE SOVIET UNION AND THE GDR HAVE REGISTERED CONTRACTUALLY A NEW PRESENTATION OF THE TRADITIONAL SOVIET POSITION ON THIS ESSENTIAL POINT OF THE QUADRIPARTITE AGREEMENT.

38. THE DOMESTIC SCENE IN POLAND IS DOMINATED BY THE PREPARATIONS FOR THE 7TH CONGRESS IN DECEMBER. PUBLIC DISCONTENT CAUSED BY SUPPLY DIFFICULTIES HAS LED MR. BIEREK TO

CLOSE THE PARTY RANKS AND TO EMBARK ON A CAMPAIGN OF EXPLANATION AND PERSUASION. THE FIRST SECRETARY OF THE UNITED WORKERS' PARTY REMAINS THE DOMINANT FIGURE AND HIS POSITION REMAINS UNCHALLENGED, IF NOT HIS PRESTIGE. THE IMPORTANT AGREEMENTS SIGNED ON 9TH OCTOBER, 1975 BY THE FEDERAL REPUBLIC OF GERMANY AND POLAND MARKED THE END OF THE DISPUTE BETWEEN THE TWO COUNTRIES AND SHOULD OPEN THE WAY TO A NORMALISATION OF THEIR RELATIONS.

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39. HUNGARY: THE NEW GUIDELINES SPELT OUT AT THE PARTY CONGRESS HAVE LED TO RESHUFFLES AND SOME TINKERING WITH THE ECONOMIC SYSTEM WHICH, FOR THE TIME BEING, DO NOT JEOPARDISE THE BASIC FEATURE OF THE REFORM. HOWEVER, IT IS POSSIBLE THAT A WORSENING ECONOMIC SITUATION MAY OBLIGE HUNGARY TO REVERT TO A MORE ORTHODOX APPROACH IN THIS FIELD.

40. CZECHOSLOVAKIA: THE MOST IMPORTANT INTERNAL POLITICAL EVENT WAS THE ELECTION OF MR HUSAK AS PRESIDENT OF THE REPUBLIC ON 29TH MAY 1975. THIS HAS LED TO CERTAIN PERSONNEL CHANGES BUT NOT TO ANY FUNDAMENTAL MODIFICATION OF THE EXISTING INTERNAL POLITICAL DISTRIBUTION OF POWER. THIS ELECTION CONFIRMS MR HUSAK'S POSITION AS NUMBER ONE IN CZECHOSLOVAKIA BUT DOES NOT DO AWAY WITH THE TENSION BETWEEN HARDLINE AND MODERATE FORCES IN THE CENTRAL COMMITTEE. ALSO, SINCE MR HUSAK IS A SLOVAK HIS ELECTION WILL DO NOTHING TO LESSEN THE TENSION BETWEEN CZECHS AND SLOVAKS. THE STRUGGLE AGAINST THE DOMESTIC OPPOSITION AND PUBLIC APATHY REMAINS VERY LIVELY, ALTHOUGH THERE DOES SEEM TO BE SOME HESITATION WITH REGARD TO THE INTELLIGENTSIA.

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41. IN RUMANIA A VERTIABLE CULT HAS GROWN UP AROUND THE PERSON OF MR CEAUDESCU, WHO REMAINS THE UNCHALLENGED LEADER, RUMANIAN FOREIGN POLICY SHOULD RETAIN ITS ORIGINALITY PERHAPS BY REFERENCE TO THOSE PRINCIPLES OF THE CSCE FINAL ACT WHICH ARE RELEVANT TO IT. THE MAINTENANCE OF SOME DEGREE OF INDEPENDENCE THROUGH RESISTANCE TO INTEGRATION WITHIN THE CMEA, THE DEMAND FOR THE DISBANDING OF THE MILITARY GROUPINGS, THE DIVERSIFICAION OF FOREIGN RELATIONS AND IDENTIFICATION WTH THE NON-ALIGNED COUNTRIES, REMAIN THE CHIEF OBJECTIVES OF BUCHAREST'S FOREIGN POLICY. IN THIS CONNECTION, MENTION SHOULD BE MADE OF THE INTEREST SHOWN BY RUMANIAN IN BILATERAL RELATIONS WITH THE EEC.

42. IN ALBANIA, THE PURGE OF OFFICIALS CONTINUS IN THE NAME OF ANTI-BUREAUCRACY. MR. HODJA'S STATE OF HEALTH SEEMS TO HAVE OPENED THE STRUGGLE FOR THE SUCCESSION. AT THE SAME TIME, MR SHEHU IS SHAPING UP AS ALBANIA'S STRONG MAN SINCE HE IS NOW

PRIMEMINISTER AND MINNISTER OF DEFENCE AND HAS STRENGTHENED HIS HOLD OVER THE SECURITY FORCES.

THERE IS SOME UNCERTAINTY REGARDING THE FUTURE OF
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RELATIONS WITH CHINA.

43. IN ORDER TO MAINTAIN A BALANCED FOREIGN POLICY, YUGOSLAVIA SEEMS TO WANT TO KEEP ON PROPOER TEMS WITH THE SOVIET UNION. HOWEVER, CERTAIN DEVELOPMENTS, PARTICULARLY THE DISCOVERY OF RENEWED ACTIVITY BY THE KOMINFORMIST GROUPS, HAVE REAWAKENED YUGOSLAV SUSPICIONS. FOR THEIR PART, THE SOVIETS DEEPLY RESENTED PRESIDENT FORD'S VISIT TO BELGRADE, MR BIJEDIC'S VISIT TO PEKING, AND YUGOLSAVIA'S OPPOSITION TO A MONOLITHIC CONCEPTION EUROPEAN CONFERENCE OF COMMUNIST PARTIES.

44. ON THE DOMESTIC FRONT, PARTY UNITY AND THE CENTRALISING TENDE CIES OF THE REGIME HAVE BEEN REINFORCED, AND THERE IS INCREASED SUBORDINATION OF THE ARMY TO THE PARTY.

45. THE YUGOSLAV ECONOMY REMAINS PLAGUED WITH INFLATION, UNEMPLOYMENT AND BALANCE OF PAYMENTS DEFICITS. DATA FOR THE FIRST SEVEN MONTHS OF 1975 REVEAL A MOUNTING TRADE DEFICIT WITH HARD CURRENCY AREAS, PRIMARILY WESTERN EUROPE. WHILE TAKING MEASURES TO RESTRICT IMPORTS FROM THE WEST, THE YUGOSLAVS HAVE HAD TO EXPAND THEIR TRADE WITH THE THIRD WORLD AND EVEN MORE WITH THE CMEA COUNTRIES. THIS LATTER TREND, SHOULD IT BECOME ESTABLISHED, MIGHT PROVIDE MOSCOW WITH A CERTAIN LEVERAGE.

46. BALKAN CO-OPERATION: MR CARAMANLIS'S INVITATION TO THE CONVERENCE ON INTER-BALKAN TECHNICAL AND ECONOMIC CO-OPERATION WAS

WELL RECEIVED IN BULGARIA, RUMANIA AND YUGOSLAVIA, ALBANIA
DECLINED AS A MATTER OF PRINCIPLE BUT INTIMATED THAT IT WISHED TO
DEVELOP ITS BILATERAL RELATIONS WITH THE COUNTRIES OF THE AREA.
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